Headquarters U.S. Air Force

Integrity - Service - Excellence

BES Acquisition Training Workshop Should Cost

12 October 2016

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Overview

- Should Cost Initiative (SCI) policy background
- Should Cost Initiative process
- DEAMS SCI process (Step by Step)
- Templates/Samples
- Resources
- Questions

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Background: Should Cost…What is it all About?

- USD(AT&L) introduced the Better Buying Power (BBP) Initiative in 2010
  - Goal – increasing funding for war fighting capabilities without increasing the budget
  - “Do more without more”
- BBP 2.0 emphasized better value to the taxpayer and warfighter
  - Continuing the pursuit for greater efficiency and productivity in defense spending
- BBP 3.0 continues to emphasize controlling costs throughout the lifecycle
- Should Cost incorporated in new DoDI 5000.02 (7 Jan 2015)
- SAF/AQ approved Updated Should Cost Management Guidance and Business Rules (6 Nov 2014)

Background: Mr. Kendall 10 Points on Should Cost

1. Scrutinize each contributing element of cost – justify it! Could you reduce?
2. Particularly challenge the basis for indirect costs in KTR proposals
3. Track recent cost/schedule/performance trends and look for ways to improve
4. Benchmark – similar DoD programs, other KTR programs, commercial analogues
5. Promote supply chain management to encourage competition and incentivize cost performance at lower tiers
6. Reconstruct the program team (Gov't and KTR) to be more streamlined and efficient
7. ID opportunities to breakout GFX vs. contractor provided items
8. ID items or services contracted through 2nd or 3rd party; eliminate unnecessary pass-through costs by considering other options
9. Utilized integrated DT/OT and modeling/simulation to reduce test costs
10. ID alternative technology/material that could reduce costs; ensure contract includes provisions for potential transition

Source: AFLCMC Perspectives on Will Cost/Should Cost Management, 25 March 2014

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Background: Key Terms

Will Cost	• Budget Baseline • Non-advocate, similar to an Independent Cost Estimate • Parametrically derived (provides sufficient resources to execute the program under normal conditions) • Average levels of technical, schedule and program risk • Sufficient funding to allow program completion without additional budgets
Should Cost	• Baseline estimate developed by the Program Office • Used as an internal management tool to incentivize performance to targets • Based on realistic technical and schedule success oriented outcomes by implementing efficiencies, lessons learned and best practices • Designed to drive productivity improvements • Continuous effort with monitoring for effectiveness • Early estimates drive affordability goals; later estimates identify cost savings

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Background: Should Cost in Relationship to Programs

Should Cost	Should Cost asks us to consciously do something different • Continuously fight to lower all of our costs, **wherever that makes sense** • It's a tool to manage all costs throughout the lifecycle, and operates in parallel with effort to constrain requirements to control final product unit and sustainment costs • Is focused on controlling cost of the actual work that we are doing and expect to do • Estimates inform our negotiations with industry over contract costs and incentives • Challenges us to do best to find specific ways to beat the ICE or Program Estimate and other cost projections funded in our budgets (will-cost), when **sensible** to do so • Should Cost **does not** mean trading away the long-term value for short-term gain

Excerpts from USD(AT&L) Memo, "Should Cost and Affordability" Aug 24, 2011

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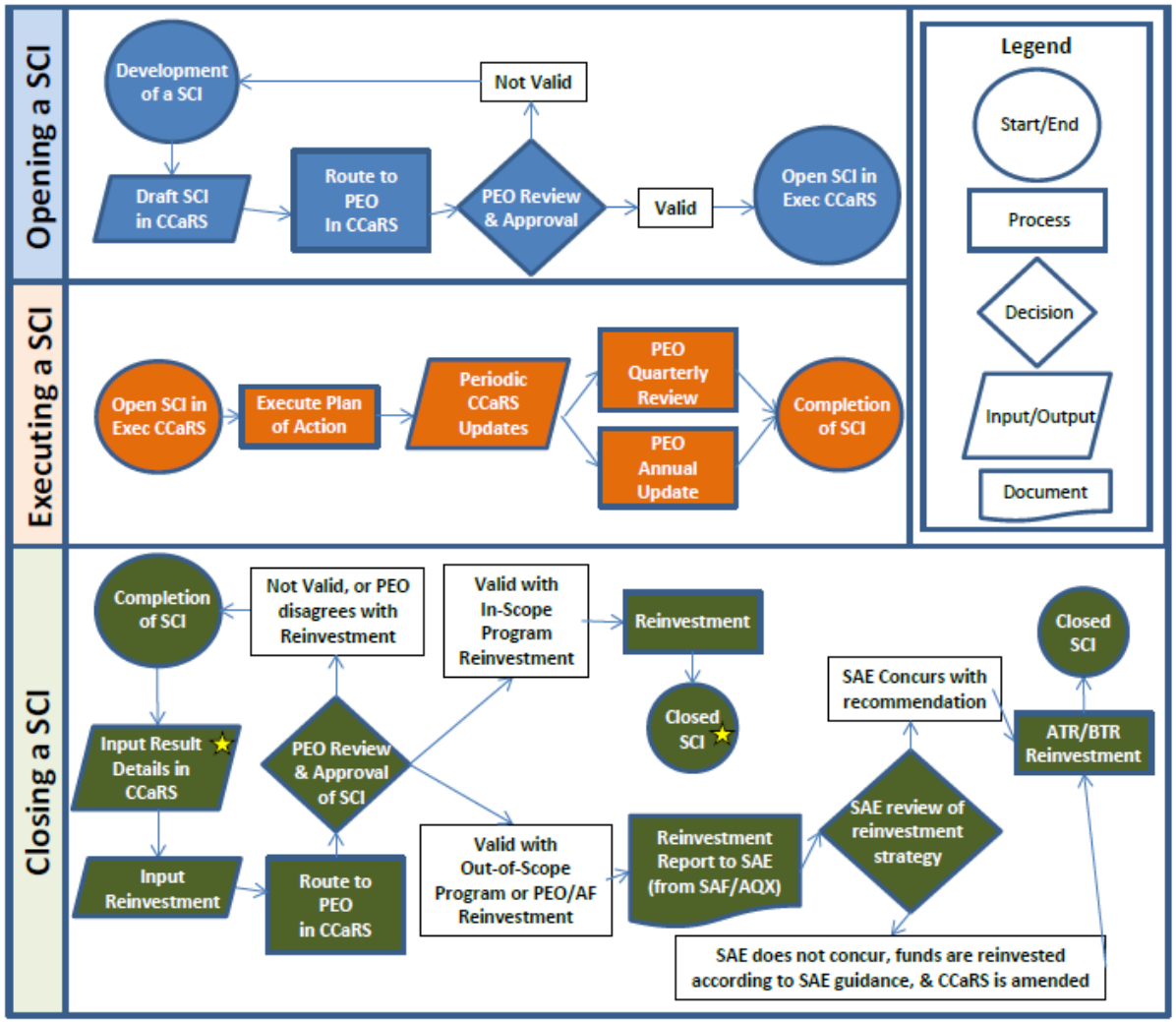
Should Cost Process



Source: *SAF/AQ Should Cost Management (SCM) Guidance and Business Rules Nov 2014*

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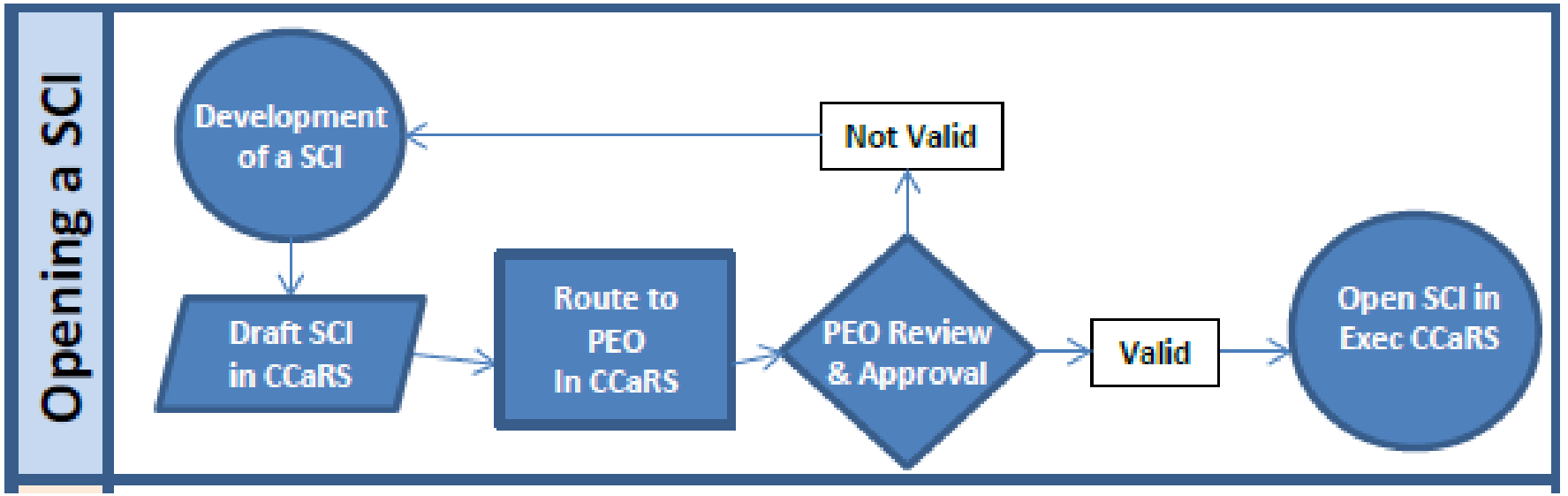
Opening a Should Cost Initiative

Primary focus of this briefing



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DEAMS Should Cost (SC) Process

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DEAMS Should Cost Process

- Follows the general SAF/AQ SC process
- Utilizes Active Risk Manager (ARM) to document implementation tasks and track progress of each SCI
- Spread SC knowledge across functional areas
- Customized templates for data collection
- Created DEAMS Opportunity Cost scoring scheme
- Plan recurring/event driven SC identification efforts
- Established recurring SCI status update

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DEAMS Should Cost Process

Step 1-Step 5

- Step 1: SCI owner identify and scope SCI
- Step 2: Cost team estimate opportunity savings of proposed SCI and validate SCI against cost/budget plans
- Step 3: SCI owner complete SCI brief and present to PM for approval
- Step 4: Develop SCI implementation steps
- Step 5: Enter and coordinate SCI in Web Comprehensive Cost and Requirement (CCaR) System (select Program Mgt module)

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DEAMS Should Cost Template

Step 1: ID & Scoping of SCI

Should Cost Initiative Owner Input	
ID	Arbitrary (i.e. SC-01, SC-02…)
Initiative	Short Title
Owner	Primary responsible person
Assumptions for Initiative	Brief explanation of expected results/benefits (non-monetary)
Government: Internal / External	“Internal” (PMO controls) vs. “External” (policies, regulations, etc.)
Contractor: Direct / Indirect	“Direct” (hours & effort) vs. “Indirect” (rates & factors)
Item	What is being estimated? What variables in the POE would be adjusted? “Testing hours, fees, labor, licenses…”
Probability Level	Level of probability in achieving this should cost initiative (“Very High,” "High," “Medium," "Low,“ “Very Low”)
Comments on Probability Level	Explain probability level
Near-Term Savings?	Near-Term: within a year (“Yes/No”)
Long-Term Savings?	Long-Term: longer that a year or multiple years (“Yes/No”)
Resource Allocation	Likelihood that resources needed be reallocated to ensure the initiative is successful ("Low", "Medium", "High")
Expected Contractor Feedback	Contractor's expected feedback, support, or resistance

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DEAMS Should Cost Template

Step 2: Cost Team Validation

Cost Team Input	
Resource	Type of resource that would be impacted (labor, material, equipment, services, etc.)
Direct Cost	If "Contractor Direct" is selected (from SCI section), does it relate to salaries, supplies, training, etc.?
Potential Benefit ($)	Potential dollars to be saved and type/color of money
Method	Method used to estimate savings ("parametric", "analogous", etc.)
Assumptions / Constraints	Any assumptions used in developing the estimate

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Briefing Slide to PM (Step 3):

(SC-01) Lower Negotiated Rates

POC: *John Doe*

Should Cost Initiative

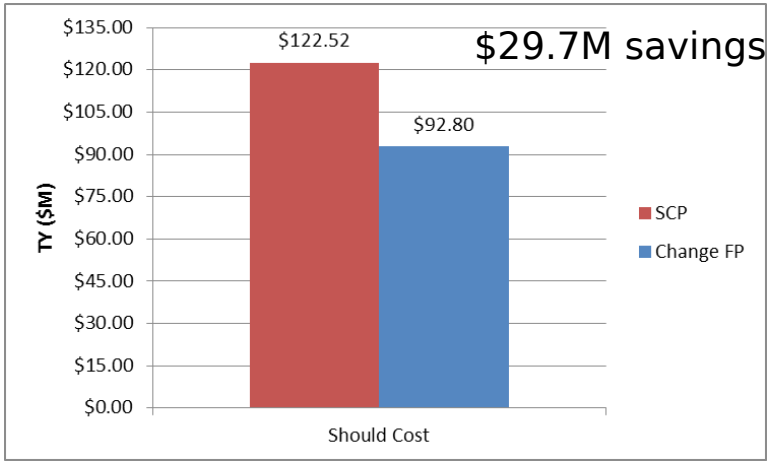
Initiative – Excellence in negotiating lower rates for DDFP, Release 8 and the additional interfaces

Assumptions

Assumption – SI would become more efficient in developing RICEW objects; savings are near-term (FY15 – FY18)

Methodology - Hrs/FP were changed from 130.6 to 107.6 in the POE, covering RA, D/B/T and Test

Potential Benefits



Probability of Implementation

Probability – Low Likelihood (20 – 40%)

Analysis – Unsure if an increased level of efficiency is possible

SCI Implementation Plan (Step 4)

Initiative	SC-01: Excellence in negotiating lower rates for DDFP, Release 8 and the additional interfaces			
Owner	John Doe			
Updated	11/12/2014			
Implementation Plan				
#	**Action Step**	**Owner**	**Due Date**	**Status**
1	Review AFCAA rationale for SBE	J. Doe	10/30/14	Completed
2	Compare AFCAA rational against IGCE	J. Doe	1/30/15	
3	Get historical/actuals on past development	J. Doe	1/30/15	
4	Compare against proposal from SI	J. Doe	1/30/15	
5	Negotiate labor hours	P. Kay	3/23/15	
6	Conduct new FP analysis after CA	P. Kay	4/30/15	

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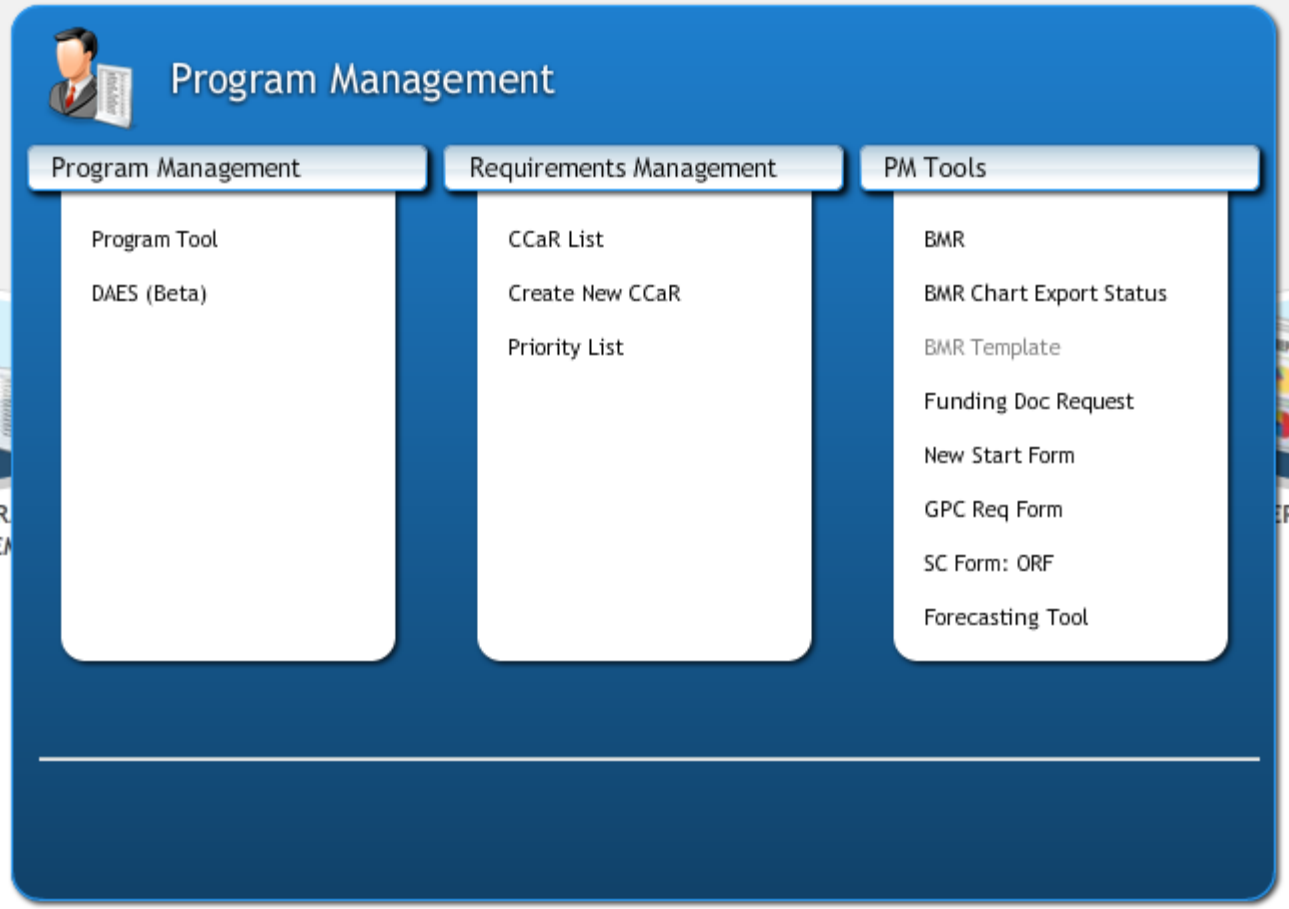
Should Cost Entry in Web CCaR (Step 5)

Entering SCI



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DEAMS Should Cost Process
Step 6-8

- Step 6: Enter SCI implementation steps and impact in ARM
- Step 7: Track and update status of SCI in Web CCaR & ARM
- Step 8: Close initiative upon realization or completion
- On-going: Summarize program SCIs for Senior Leader dissemination
  - Should Cost Summary Table
  - Probability Impact Diagram (PID)

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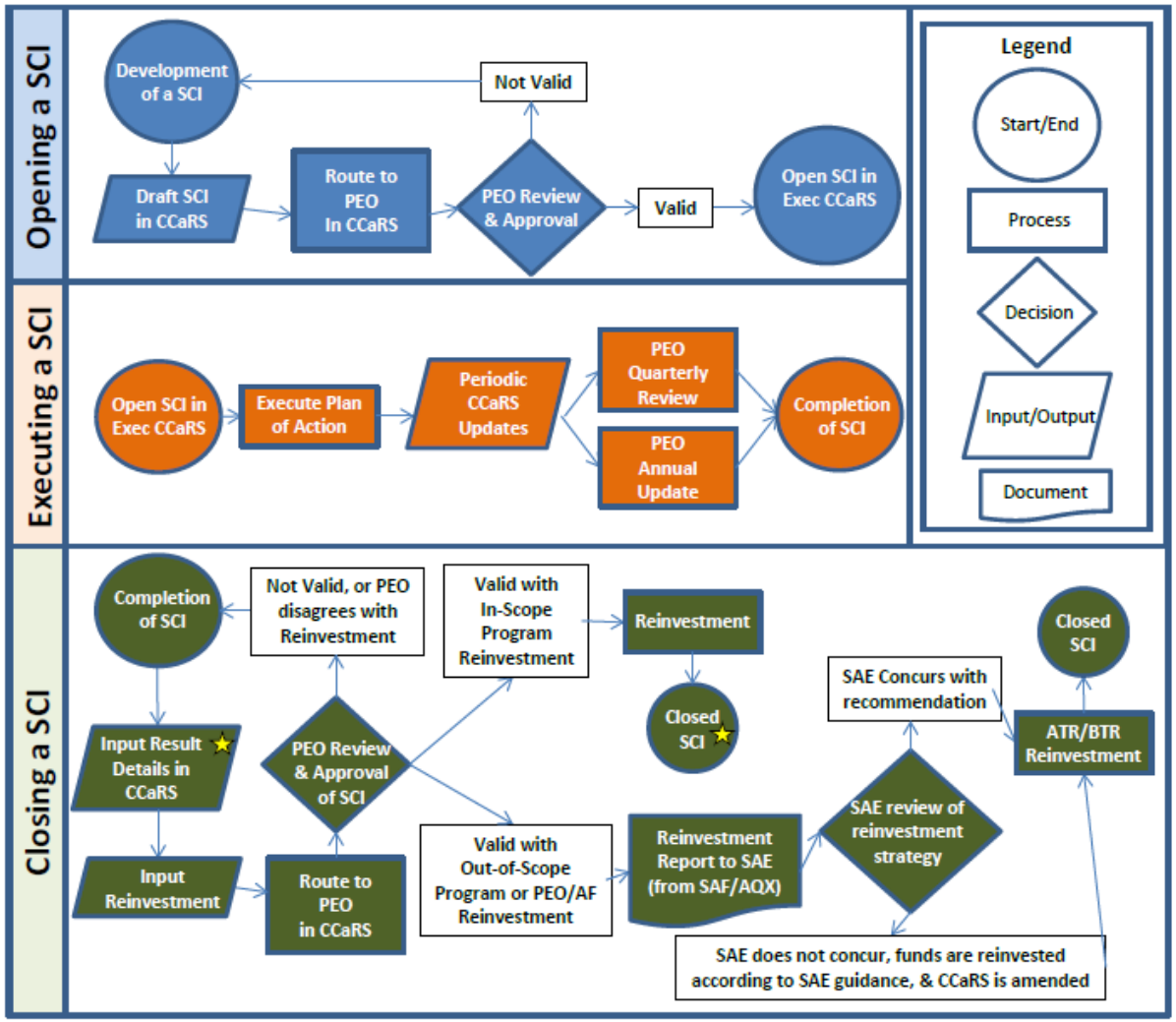
Should Cost Process

Track and Update (Step 7 & 8)



Source: *SAF/AQ Should Cost Management (SCM) Guidance and Business Rules Nov 2014*

DEAMS Should Cost Resources

- ASO Should Cost Repository
  - Should Cost Management Guidance and Business Rules (Oct 14)
  - Should Cost Initiatives SP Guide (AFLCMC)
  - Should Cost Waiver Request
- AFLCMC/AQP workflow – asc.aqm@us.af.mil
- PMs should leverage the DAU SC repository of best practices: https://dap.dau.mil/apl/Pages/Default.aspx
- Web CCaR Should-Cost Guidebook: https://cs.eis.af.mil/sites/10112/default.aspx?RootFolder=%2Fsites%2F10112%2FAFKN%5FDocs%2FAcquisition%20Guidance&FolderCTID=0x012000DDEC26D9970C974B8C3F0046D8990874&View=%7BFB67F99B%2DD954%2D4B43%2D902D37BE988CED83%7D
- Air Force SC repository: https://www.my.af.mil/gcss-af/USAF/ep/browse.do?programId=t0ECF2BB845754CE6014598CD38BD0375&channelPageId=s6925EC13430A0FB5E044080020E329A9
- DEAMS Should Cost POC: Capt Alvin Otero – DSN 787-2261